

City of De Soto

Independent Accountant's Report  
on Applying Agreed-Upon Procedures

For the period  
July 1, 2019 through June 30, 2020

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City of De Soto

Officials

(Before January 2020)

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Butch Ostrander.....	Mayor.....	Jan 2022
Kelly Summy.....	Council Member.....	Jan 2020
Karen Wilson.....	Council Member.....	Jan 2020
Ted Hansen. ....	Council Member.....	Jan 2020
Pam Bach.....	Council Member.....	Jan 2022
Terry Golightly.....	Council Member.....	Jan 2022
Marcia Thomas. ....	City Clerk/Treasurer.....	Indefinite
DuWayne Dalen.....	Attorney. ....	Indefinite

(After January 2020)

Butch Ostrander.....	Mayor.....	Jan 2022
Kelly Summy.....	Council Member.....	Jan 2024
Karen Wilson.....	Council Member.....	Jan 2024
Ted Hansen. ....	Council Member.....	Jan 2024
Pam Bach.....	Council Member.....	Jan 2022
Terry Golightly.....	Council Member.....	Jan 2022
Marcia Thomas. ....	City Clerk/Treasurer.....	Indefinite
DuWayne Dalen.....	Attorney. ....	Indefinite



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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor  
and Members of City Council:

We performed the procedures below, which were established at Iowa Code Chapter 11.6 to provide oversight of Iowa cities. Accordingly, we have applied certain procedures to selected accounting records and related information of the City of De Soto for the period July 1, 2019 through June 30, 2020 including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of De Soto's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We obtained an understanding of the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We observed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and observed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We scanned City funds for consistency with the City Finance Committee's

recommended uniform chart of accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.

6. We observed the City's fiscal year 2019 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. The City had no investments.
8. We scanned depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.
9. We scanned debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We scanned and selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We observed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We traced selected receipts to accurate accounting and consistency with the recommended chart of accounts.
13. We traced voter approved levies to proper authorization in accordance with Chapter 384.12 of the Code of Iowa.
14. We traced selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
15. We traced transfers between funds for propriety, proper authorization, accurate accounting and whether transfers were proper.
16. We traced selected payroll and related transactions to proper authorization, accurate accounting and to determine whether payroll was proper.
17. We observed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various findings and recommendations for the City. Our findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of De Soto during the course of our agreed upon procedures engagement. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Martens & Company, CPA, LLP*

West Des Moines, Iowa  
October 30, 2020

## Detailed Findings and Recommendations

## City of De Soto

### Detailed Findings and Recommendations

For the period July 1, 2019 through June 30, 2020

- (A) Segregation of Duties - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements. Generally, one individual has control over each of the following areas for the City:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - record keeping, preparation and distribution.
- (5) Utilities - billing, collecting, depositing and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Journal entries - preparing and recording.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the city should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.



City of De Soto

Detailed Findings and Recommendations - Continued

For the period July 1, 2019 through June 30, 2020

- (B) Financial Reporting - During the year, the City established an escrow fund in association with the requirements of the De Soto Waste Water Treatment Project. However, the disbursements from the general checking account to the escrow fund in the amount of \$13,000 was recognized as an expenditure and no escrow fund cash balance is being recognized on the balance sheet of the City. The escrow is to fund the potential payment to a subcontractor on the project should they later determine that they comply with the Davis Bacon requirements on the project. The City is to hold the funds for three years.

Recommendation - The City should set up an escrow fund of the City's records and transfer the \$13,000 from expense to the escrow fund on the June 30, 2020 records.